DOCUMENT RESUME

ED 190 701 UD 020 784

AUTHOR Savitz, Reuven; And Others
TITLE Report on Bureau of Pupil Transportation Contract Busing System.
INSTITUTION New York City Board of Education, Brooklyn, N.Y.
PUB DATE 30 Nov 79
NOTE 30p.: Some sections may be marginally legible due to light print.

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Board of Education Policy; *Bus Transportation; *Contracts; *Costs; Elementary Secondary Education; *Student Transportation
IDENTIFIERS *New York (New York)

ABSTRACT

This report outlines the process and events related to the implementation of a new student bus transportation contract system for New York City schools and presents data on numbers of vehicles used, number of students transported, and costs. The revised system, which sought to attract new companies to the school bus transportation business, is briefly described. Events leading to implementation of the system, including labor problems that threatened to leave New York City school children without transportation, are reviewed. The number of vehicles awarded to Varsity (the contractor that formerly operated 65 percent of all buses) and other major contractors is compared for fiscal years 1979 and 1980. Also discussed in the report are the fiscal impact of and quality of service provided by the transportation system for handicapped and other students. A number of proposed cost control and service improvement measures are outlined. (GC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

PROFESSIONAL LIBRARY
ROOM 204

ED190701

REPORT ON

BUREAU OF PUPIL TRANSPORTATION

CONTRACT BUSING SYSTEM

REUVEN SAVITZ
SENIOR ASSISTANT TO THE CHANCELLOR FOR BUSINESS

SUSAN MARGOLIES AND BRIAN BALOGH

NOVEMBER 30, 1979

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Ron Edmonds
NYC Bd of Ed
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

NEW YORK CITY BOARD OF EDUCATION

110 LIVINGSTON STREET
BROOKLYN, N.Y. 11201

ED220784

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

****

TABLE OF CONTENTS

		Page
Introduction		1
I.	Review of Events	1
	o Varsity and Major Contracts	3
II.	Major Systems Issues	6
	A. Parochial Conflict Between TWU and Local 118	6
	B. Collective Bargaining Strikes	6
	C. Escort Contract	7
III.	Cost Analysis	10
	A. Projected FY 80 Costs	10
	B. Explanation of Cost Increases	13
	C. Cost of New Contract Compared to Old	16
	D. Cost Control	19
IV.	Quality of Service	20
V.	Appendices	
	o Appendix A	23
	o Appendix B	24

****

INTRODUCTION

Since the opening of bids on the final school bus contracts in July, and the subsequent awards which continued into August, events have moved swiftly if not always smoothly.

This report outlines the process and events occasioned by the implementation of the new transportation contracts as well as some of the difficulties in both the fiscal and the operational areas.

The Board had intended that the creation of a newly competitive industry with its encouragement to small companies, would effect an improvement in the quality of service. The broadened standards of performance contained in the new contract and the anticipated smaller operating companies were designed to achieve this result. The competitive bidding process attracted a substantial number of new companies to the school bus transportation business. The number of companies providing service under the new contract is three times what it was under the old contract, with 135 companies now providing service compared with 44 companies under the old contract, in FY 79.

As of October 15, these companies served 33,679 handicapped and 104,019 Regular (open enrollment and regular) children, compared with 29,500 handicapped and 105,774 Regular and open enrollment children in FY 1979.[1]

Varsity which traditionally operated over 65% of the New York City School Bus Transportation business now operates 29% of the vehicles in the system.

---

[1]The data source for Regular children is the BPT 200 report. Handicapped data for FY 79 have been provided by a manual examination of BPT's files. It should be noted that FY 79 handicapped number of approximately 32,000 has been adjusted by BPT to exclude estimated duplicates. As noted later in this report one of the major problems at BPT is the quality of the data. Specifically, the data cited above has not been independently verified.

The Board also sought to design a system that would result in cost savings both through three and four year price caps and through the inherent impact of price competition.

It now appears unlikely that there will be significant savings over the course of the new contracts. Furthermore, legislatively mandated increases in the number of handicapped children serviced, and the fact that the new contracts are "front end loaded" have combined to create a contract busing deficit in FY 80 of between $26.6 million and $32.2 million (see Cost Analysis Section).

The first section of this report reviews the events relating to the implementation of the bus contracts, while the second section provides a detailed analysis of the fiscal impact of the Pupil Transportation Service to handicapped students, and outlines a number of proposed cost control and service improvement measures.

I. REVIEW OF EVENTS RELATING TO IMPLEMENTATION OF SCHOOL BUS CONTRACTS

Considerable concern was expressed, within the school system, at the possibility that the school buses would not be operating by the first day of school, on September 10th. While this concern was well founded over 90% of the buses were brought into service on September 10th.

However, during the days which preceded and followed the first day of school, numerous issues remained unresolved.

For example, many of the new contractors were not familiar with Board of Education regulations governing school bus transportation nor with the procedures and financial commitment necessary to mount an adequate transportation program. The result was that 4 companies decided after the award of contract to withdraw; 3 other companies returned a portion of their bus routes; and the Bureau of Pupil Transportation rescinded the awards of 7 other companies based on evidence that these companies would be unable to perform in compliance with the contract.

Other companies failed to recognize the seriousness of the Bureau's publicly stated commitment to strictly enforce standards of performance as well as the terms of the Labor Agreement with Local 1181. Thus, when these companies refused to accept employees from the Master List or when several contractors whose equipment delivery was delayed made no good faith attempts to provide alternate means of transporting the children to school, Bureau of Pupil Transportation (BPT) rescinded their contract, before the beginning of school.

Subsequent to the start of school the Board of Review held hearings in order to determine if a contractor had defaulted. In three instances the Board found contractors to be in default and their runs were reassigned to the next lowest bidder willing to accept the work.

In order to cause the buses to be operational by the first day of school, it was necessary to resolve several labor questions with Union Local 1181 particularly questions relating to the criteria for the industry-wide Master Seniority List.

Since the Labor Agreement between the Board of Education and Union 1181 stipulates that the Master List was to be composed of all furloughed drivers, mechanics and escorts who had been employed in the industry as of February 9, 1979, it was necessary to review all companies' February 9, crew sheets, and verify each employees' seniority date from the Bureau of Pupil Transportation's records. This involved a careful manual check and reconciliation of various records of each of nearly 2,600 drivers, mechanics and dispatchers and each of approximately 1,800 matron-escorts.

By September 6, just four days before school and after a series of intensive Board-Union discussions as to the interpretation of the agreement and the mediation of Justice Milton Mollen, it was agreed that the job selection process by which over 4,000 furloughed drivers and escorts would choose their place of employment in Seniority order, could begin. This process was called the "job pick."

During this job selection process, several Bus Companies informed the Board that they would be unable to provide service, thus causing a reassignment of their routes. Since this resulted in changes and increases in the number of positions available at other companies, the Union asserted that the concept of a Master Seniority List and a job selection process had been rendered meaningless by such reassignments. Furthermore, there appeared to be a hope, among some elements of the Union that a disruption of service would cause some smaller companies to fail and that their routes would be reassigned to a "preferred" major contractor.

Union members and officials, demanded an immediate halt to the job pick until all runs in question were permanently reassigned.

The Board's accession to that demand would have precluded the operation of school buses during, at least, the first week of school. Following further intensive negotiations with the Union on Friday, September 7th, the Union agreed to continue with the selection process. The Board, in turn, agreed that there would be a second and permanent job pick several weeks later when the operating contractors in the system had become clearer.

BPT used the period between "job picks" to further refine the Master Seniority List; to rescind runs from companies who were not able to meet the terms of their contract with the Board; and to investigate complaints concerning service. In addition, the Division of Business and Administration computerized the process and the documentation of the permanent job pick so as to minimize the possibility of error.

On Monday evening September 24, the final job pick commenced and continued for three evenings.

The job picks were administered by scores of volunteers representing most divisions in the Board. The picks were held at John Adams High School in Ozone Park, Queens.

This final pick resulted in the assignment of all those eligible for employment pursuant to the labor agreement. The Master List for both bus drivers and escorts on handicapped vehicles has been exhausted.

The Contractors were informed that new assignments would begin on Tuesday, October 2, 1979, and BPT further instructed Contractors that drivers were required to practice their runs prior to that date.

Despite the necessity for a second "job pick," the reassignment of drivers and escorts ran relatively smoothly. In order to cope with the problems which did arise, BPT expanded its hot line coverage so as to afford to parents and school administrators a readily accessible means of reporting difficulties relating to Pupil Transportation. Where appropriate, the Bureau sent out inspectors to investigate and resolve these complaints.

However, the efforts to effect some normalcy in the Pupil Transportation system were nearly undermined by one event that has since been resolved, and continue to be impacted by other events which are as yet unresolved. They will be outlined in the sections beginning on page six.

VARSITY AND MAJOR CONTRACTORS

Despite these unresolved issues, there has been a sizeable increase in competition in the Pupil Transportation industry. The reassignment of routes from rescinded or defaulted contractors did result in increased numbers of vehicles being assigned to Varsity and other contractors.

As Chart A demonstrates, the number of handicapped vehicles currently awarded to Varsity is 65% below FY 79, while the number of regular and open enrollment vehicles is 33% below the previous level. In FY 79 Varsity was responsible for 65% of total vehicles running. This percentage has declined to 29% in FY 80. (See Chart B). Chart C displays the 12 bus contractors with more than 25 runs each.

CHART A

Number of Vehicles Awarded to Varsity

	# of Vehicles to Varsity - FY 79	# of Vehicles to Varsity- FY 80	% Decrease from FY 79 to FY 80
Handicapped	1,008	352	65%
Regular	632	422	33%
Total	1,640	774	53%

CHART B

Percentage of Total Vehicles Awarded to Varsity

	FY 79 Varsity % of Total Vehicles	FY 80 Varsity % of Total Vehicles
Handicapped	60%	19%
Regular	76%	54%
Total	65%	29%

CHART C

BUS CONTRACTORS WITH MORE THAN 25 TOTAL VEHICLES (AS OF 10/15)

	TOTAL		SPECIAL ED		REGULAR	
	# of Vehicles	$ Amount (in 000)	# of Vehicles	$ Amount (in 000)	# of Vehicles	$ Amount (in 000)
Varsity	774	$33,321	352	$15,255	422	$18,066
Pioneer	241	$10,889	100	$ 4,673	141	$ 6,216
Parochial	106	$ 4,749	-	-	106	$ 4,749
Staten Isl. Bus	69	$ 2,755	69	$ 2,755	-	-
Yellow	49	$ 2,206	5	$ 222	44	$ 1,984
Amboy	38	$ 1,577	38	$ 1,577	-	-
Master Coachman	35	$ 1,497	35	$ 1,497	-	-
Rays	30	$ 1,078	30	$ 1,078	-	-
Interboro	29	$ 993	29	$ 993	-	-
Judy	28	$ 1,093	-	-	28	$ 1,093
Caravan	26	$ 1,058	-	-	26	$ 1,058
TOTAL	1425	$61,216				

Percentage of Buses assigned to 25 or over Companies as of October 15, 1979: 54%

II. MAJOR SYSTEMS ISSUES

A) Parochial Transportation Co. Conflict Between TWU and Local 1181

One of the issues that exacerbated the labor problems and threatened to cause a system wide strike, was the low bid award of 48 additional vehicles--beyond the number operated in 1978-1979--to Parochial Transportation Company and its subsidiary Morrisania Transportation. Since Parochial is affiliated with the Transit Workers Union the additional 48 positions at Parochial and Morrisania would have been filled by new non-Master List drivers from the TWU. This in turn would have violated the Court ordered Board Agreement with Local 1181 because it would have resulted in the denial of 48 spaces to Master List drivers.

A compromise Agreement was reached between the two unions and the Companies which provided for the award of 23 vehicles to Parochial which it had won as low bidder in exchange for the assignment of 25 vehicles from the TWU affiliated Morrisania Company to the Local 1181 affiliated Pioneer Bus Company.

The Agreement reached on September 13, at 10:30 P. M. averted a threatened system wide strike by Local 1181 the following morning. The Agreement was finalized in a Court order the following day in Judge Nathaniel Hellman's Chambers in Supreme Court in Manhattan.

B) Collective Bargaining Strikes

The efforts to stabilize the school bus system have been further hindered by the recent strikes called by Local 1181 in their effort to compel bus contractors to sign Collective Bargaining Agreements. As of November 15, these strikes were affecting approximately 618 handicapped students.

To assist parents and children in coping with these strikes BPT has arranged emergency transportation procedures for children who are normally transported to school via the companies being struck.

Specifically, the Bureau has arranged for car service to transport handicapped students affected by the strike.

For regular and open enrollment children, BPT distributed trip tickets to the district superintendents which entitled the principals of each school to obtain tokens for distribution to students.

Since the Board's Contract does not require payment to contractors during strikes, these emergency programs will cost less than what would have been paid to the Bus Contractors had there been no strike.

C) Escort Contract

An issue which is yet to be resolved is that of the employment of the escorts.

The original Contract proposal provided for several options with respect to escorts including:

- Direct employment by the Board.

  The option was rejected because it would have increased the number of employees on the City payroll.

- Requirement that Bus Contractors employ the escorts.

  The reimbursement payments of $40 a day per escort for regular service (part-time) and $60 a day for extra service (full-time) contained in the contract, proved to be unrealistically low in view of the Board's final Labor Agreement with the Union. Thus it would have been impossible and unfair to enforce this requirement on Contractors and the Board informed bidders at the time of the Labor Agreement that this option would not be exercised by the Board.

Therefore, the only apparent legal alternative was to "let" the Escort Contracts out to bid. But when the bids were opened on August 13, 1979, the low bidder on the majority of the contracts was found to lack sufficient financial resources to hire the escorts. Since the other "so-called" low bidders came in at prices well above what one could consider a reasonable reflection of their actual costs plus a reasonable margin for profit, and substantially beyond our budget allocations for escorts, it was necessary to seek another alternative.

As a result, the Director of the Bureau of Supplies declared an Emergency, thus allowing the Board to contract with an outside Agency to act as the paymaster and employer of record for the escorts, for a limited period of time.

After seeking to negotiate an interim contract with several major employment agencies, the Board signed a temporary Agreement on September 21, with Professional Detail Services, a Subsidiary of Staff Builders, Inc., to be the employer of record for the escorts. The three month contract stipulates that Professional Detail provide a weekly payroll, pay statutory fringes, and provide liability insurance coverage. (See Chart D Summary of escort benefits.)

Chart E Summarizes the lesser cost that will accrue to the Board in FY 80 as a result of rejecting the escort bids, as against having awarded the escort contracts to the low bidders.

CHART D

Cost Per Escort

Annual

(a)	Base Cost		$ 7,806.393
	COLA		290.279
	Salary		$ 8,096.672
(b)	Statutory Fringe Benefits		
	State Unemployment	4%	$ 323.960
	Federal Unemployment Insurance	.7%	56.624
	FICA	6.13%	496.359
	Workmans Compensation	.51%	41.258
	Disability Insurance	.8%	64.834
	Total	12.14%	$ 983.035
(c)	Additional Fringe Benefits		
	Pension		925.990
	Health & Welfare		984.088
	Uniform Allowance		60.000
	Total		$ 1,970.078
	Total Salary & Benefits		$11,049.785
(d)	Contractors Service Charge (13.89% of salary)		$ 1,124.702
(e)	Less 2% Discount		(161.875)
	Total Cost Per Matron		$12,012.612

CHART E

Comparison of Rejected Escort Bids to Cost of Current Escort Contract

	(a) Annual Cost Per Escort Under Rejected Bids[1]	(b) Annual Cost Per Escort Under Current Contract[1]	(c) Annual Savings Per Escort (a-b)
	$ 14,755	$ 12,012	$ 2,743
Projected Maximum Number of Escorts	X 1992	X 1992	X 1992
	$29,391,960	$23,927,904	$5,464,056

[1]Includes 2% discount.

But the Board viewed the agreement with Professional Detail Services as an interim and unsatisfactory solution to a complex problem. The bifurcation of responsibility between Bus Contractor and Escort Contractor; and the nearly impossible administrative task of Escort Contractors trying to meet constantly changing needs of Bus Contractors spread throughout the City was totally unworkable. Therefore, it became imperative that we develop an appropriate legal means to have the escorts become the employees of the Bus Companies on whose buses they serve. In the past few weeks we have worked closely with State Officials and the Mayor's Office to develop legislation to remedy this situation. On November 2, 1979, the State Legislature passed a bill which permits us to amend the present contract in order to adjust the payment rates to bus contractors so as to reflect actual costs. This will allow us to contract with the bus companies so as to have them directly employ escorts for their runs.

III. COST ANALYSIS

A critical area for concern is the fiscal impact of the Pupil Transportation system. Based upon the most recent figures it is anticipated that there will be a contract busing budget deficit during FY 1980 of between $26.6 million and $32.2 million. The primary reasons for this budgetary shortfall are the projected increase of 240-315 vehicles for handicapped children beyond the level contracted for in FY 79, and the increased cost per vehicle attributable to the first year of new contracts that do not pass along costs in future years.

This significant rise in service demand and in cost, reflects an imperative need to emphasize major cost control programs to reduce this deficit. This section of the report will outline the reasons for the projected deficit, will address the costs of the new contracts as compared to the old contract and will review current and proposed cost cutting programs.

A. Projected FY 80 Costs and Budget Shortfall

The cost of contract busing in FY 80 is projected to range from $131.1 million to $136.7 million (see Chart F). Even if expenditures are held to $131.1 million, contract busing will be underbudgeted by approximately $26.6 million in FY 80. Should costs approximate the upper end of the range, the contract busing deficit could reach $32.2 million. When combined with the required financial plan savings of $6 million that has been assigned to BPT, and an anticipated State revenue shortfall of $11.3 million, from the State's reimbursement for last year's transportation costs, the total transportation deficit will range from $43.9 million to $49.5 million. Although handicapped busing and regular busing for children travelling distances of more than one and a half miles is eligible for 90% reimbursement from the State, this reimbursement is not received until the following year.

CHART F

Summary of FY 80 Projected Expenditures and Budget Deficit

I Contract Busing Expenditures[1]

	# of Buses	Net Annual Cost (in 000)
Regular	800-810	$ 34,099-$ 35,207
Handicapped	1917-1992	$ 96,997-$101,510
Total	2717-2802	$131,096-$136.717

II Projected Deficit

	(in 000)
Budgeted for Contract Busing	$104,525
Projected Expenditures	$131,096- $136.717
Contract Busing Deficit	($ 26,571)-($32.192)
BPT Financial Plan Savings	($ 6,000)
Projected Revenue Shortfall	($ 11,300)
Total Transportation Deficit	($ 43,871)-($49,492)

These cost estimates reflect a need for 2,717 to 2,802 buses. Regular busing (open enrollment and regular) will cost approximately $34.1 to $35.2 million (see Chart G); the cost of handicapped busing (with escorts) will be approximately $97.0 to 101.5 million (see Chart H).

[1]Includes discounts

CHART G

FY 80 Projected Expenditures for Regular Contract Busing

	# of Buses	Annual Cost Per Bus	Total Annual Cost (in 000)
As of October 15	785	$43,119	$33,848
Projected Annualized Increase	15-25	$43,119	$ 647- 1,078
Increased Extended Service	-	-	$ 300- 1,000
Sub Total	800-810	-	$34,795-35,926
Total (adjusted for discounts)	800-810	-	$34,099-35,207

CHART H

FY 80 Projected Expenditures for Handicapped Busing

	# of Buses/ Escorts	Cost Per Bus/Escort [1]	Total Annual Cost (in 000)
I Buses With Escorts			
As of October 15	1842	$51,386	$ 94,653
Projected Annualized Increase	75-150	$51.386	$ 3.854-7.708
FY 80 Impact of Escort Labor Increase (0-12% annualized)	1992	$ 0-360	$ 0-718
Sub Total		-	$98,507-103,079
Total Less 2% Bus Discount	1919-1992	-	$96,997-101,510

[1] Includes escort discount.

CHART H (Continued)

FY 80 Projected Expenditures for Handicapped Busing

	# of Buses	Annual Cost Per Bus	Total Annual Cost (in 000)
II Buses			
As of October 15	1842	$39,374	$72,527
Projected Annualized Increases	75-150	$39,374	$ 2,953- 5,906
Sub Total	-	-	$75,480-79,433
Total less 2% Discount	1917-1992	-	$73,970-76,864

III Escorts

	# of Escorts	Annual Cost Per Escort [1]	Total Annual Cost (in 000)
As of October 15	1842	$12,012	$22,126
Projected Annualized Increases	75-150	$12,012	$ 901- 1,802
FY 80 Impact of Escort Labor Increase (0-12% Annualized)	1992	$ 0-360	$ 0- 718
Total			$23,027-24,646

B. Explanation of Cost Increase

Estimated contract busing costs have increased in the last six months from the budget estimate of $104.5 million to a previous July 24 estimate of $115.2 million to the current projected range of $131.1 - $136.7 million. There are several factors that account for a large portion of these projected expenditure increases and the adjustments of the estimates.

[1] Includes escort discount.

1) Service Increases - In handicapped busing, the number of buses required on an annual basis this year of between 1917 and 1992 is anticipated to exceed the number required last year by at least 240 and possibly by as much as 315 (see Chart I). This increase reflects the Board's priority to comply with federal mandates to place handicapped children in Special Education classes. These increases are particularly costly because they require additional escort services as well as buses. The cost of providing an additional 315 handicapped buses (with escorts) even at the old 1978-1979 Contract price of $40,567 per vehicle would have been at least $12.8 million in FY 80.

CHART I

Comparison of FY 79 to FY 80 Costs and Number of Vehicles

	FY 79		FY 80			
	Annual Cost Per Vehicle	# of Vehs.	Annual Cost Per Vehicle	# of Vehicles	% Change in Annual Cost Per Vehicle	Change in # of Vehicles
Reg.	$32,924	828	$42,257[1]	800- 810	28%	(18)-(28)
Hand.	$40,567	1676	$50,598[2]	1917-1992	25%	241-316

Although the number of regular buses running this year has declined slightly from last year's level of 828 buses it exceeds the contract bid book estimates by approximately 75 buses. The additional 75 buses, even at the old 1978-1979 Contract price of $32,924 per bus would have cost approximately $2.5 million.

---

[1]Includes 2% discount; does not include potential increase attributed to increase in extended service.

[2]Includes the cost of escorts; includes discount for escorts and buses; does not include potential labor increase for escorts, or cost/(Savings) attributed to new escort contract.

2) First Year of Current Contracts - The fact that the new handicapped bus contract does not provide for costs to be passed along during its three year period, and that the new regular bus contract does not pass along costs for four years, has led to significant cost increases in the first year of these new contracts. Chart I shows how the annual cost for regular buses has increased by 28% over last year's costs; the percentage increase for handicapped is 25%. Because the Board's payment rate is constant for the duration of the contracts, the Board is paying a proportionately higher amount or "front end load" (compared to the actual cost of providing service) in the first year of the contract than in any other year.

3) Rebids, and Defaulted Contractors - Costs have also increased due to the fact that a small number of low bidders withdrew when they learned of the Board of Education-1181 Labor Agreement. Although a comparison of February/March low bids with July low bids shows a relatively small percentage increase (3.4%), the dollar amount that this percentage translates into is substantial - $3.1 million.

The labor settlement, by establishing escorts as full time employees also increased the cost of the escort contract by approximately $2.8 million. Since the rebid, fourteen companies have dropped out and their routes have been reassigned to the next lowest available bidder. The cost impact of these reassignments is estimated to be approximately $1.7 million.

4) Extended Service - Extended Service--service that is provided during the middle of the day including school pick-ups before 3:00 p.m. --is being used at a higher rate than originally anticipated. Increased reliance upon extended service is projected to cost from $.3 million to $1 million in FY 80.

5) Future Escort Labor Increase - The current emergency contract for escort service, unlike the bus contracts, is a "cost plus" contract that will pass along the cost of labor increases as they occur. For estimation purposes, one can assume that escort wages may increase in April, when drivers wages are expected to increase. The quarterly value of such an increase cannot be predicted at this time. However, each percentage point increase in the annual wage package will cost approximately $60,000 in the last quarter of FY 80 assuming that the effective date for such an increase is April 1. It is also important to note that the existing Contract for providing Escort Services (between the Board and Professional Detail Services) is an Emergency Contract that will expire on December 21. At this point it is difficult to estimate the cost or savings of a replacement contract.

C. Cost of New Contract Compared to Old

On March 26, 1979, we estimated that Savings of $44 million over three years were a reasonable expectation. It is unlikely, however, that the Board will realize the savings then anticipated from the new contracts. This section analyzes the original estimate of $44 million. and utilizes current data to compare old contract costs to new contract costs.

1. Analysis of the $44 million Savings Estimate (March)

There are three basic factors in the March estimate that help explain why it was overestimated: a) the estimate was based upon the number of vehicles and unit cost savings; b) the actual estimates regarding unit costs and service levels proved to be underestimated and; c) it was assumed that the new contracts would contain no cost increases for their entire duration.

The $44 million estimate is based upon savings in the cost per vehicles - which were projected on the basis of the low bids received in March '79 - and a reduction in the number of vehicles required. However, it is the unit cost per vehicle not the change in the number of vehicles that determines the savings.

Chart J displays the three estimates that have not been realized. The March projected cost per handicapped vehicle which, on the basis of bidding and contracting after the labor agreement, was too low by $5,860 per vehicle, accounts for an annual understatement of the new contract's cost of $9.8 million. Underestimates of the vehicles required for handicapped and regular service account for $12.4 million and $3.4 million respectively.

Applying the same methodology employed in the March calculation to the current data results in a net cost for the new contract of more than $32 million rather than a savings. However, to offset the large increase in vehicles attributed to increased handicapped ridership (and not attributed to the contract) a more accurate cost comparison between old contracts and new should be done on a unit cost basis. Although our estimates in July (projected savings of $21 million) compares costs on this basis, it fails to consider all possible future cost increases attributable to the new contracts, and thus continues to overstate potential savings.

CHART J

Major Factors Contributing to Overstated March Savings Estimate

I. Unit Cost of Handicapped Vehicle

March Handi. Unit Cost	Current Est. Unit Cost [1]	Increase
$44,738	$50,598	$5,860 X 1672 (Vehicles)
		$9,797,920

II. # of Handicapped Vehicles

March Est. # of Veh.	Current Est. # of Veh [2]	Increase
1672	1917	245 X $50,598 (Unit cost)
		$12,396,510

III. # of Regular Vehicles

March Est. # of Veh.	Current Est. # of Veh. [2]	Increase
720	800	80 X $42,257 (Unit cost)
		$3,380,560

IV. Summary

	Amount Understated per year
Handicapped Unit Cost	$ 9,797,920
# of Handicapped Vehicles	$12,396,510
# of Regular Vehicles	$ 3,380,560
	$25,574,990

[1] Unit costs assume discounts, but do not assume additional costs attributable to escort labor increases and extended service increases.

[2] Number of vehicles assumes lower end of the range displayed in Chart F.

2. Current Comparison of Old Contract Costs to New

There are several factors that may increase annual costs in the new contract including: a) the additional cost of a new arrangement for providing escort service; b) the cost of escort wage increases over the next three years; c) the cost per vehicle increase attributable to defaults (where the defaulted contractor's routes are transferred to a higher bidder) and; d) the percentage of extended service that will be required. The following estimates reveal that if there are savings, they will most likely be marginal; in fact, there is a possibility that the new contracts may prove to be more costly than a continuation of the old contracts.[1]

To establish a baseline for the purpose of comparison we assumed no cost increases in the new Contracts attributable to the factors cited above and determined that the FY 79 regular busing contract cost per vehicle would have had to increase at a compounded percentage of 10.24% per year (four years) and that the FY 79 handicapped contract cost per vehicle would have had to increase at a compounded percentage of 11.46% per year (three years) in order to equal the current contract cost per vehicle (over the duration of the current contracts). These percentage increases are higher than the average increase in the old contract during the past five years but lower than the current rate of inflation (the essential factor in determining annual increases in the old contract).

---

[1] It must be noted that several factors that have increased the cost of the new contract, might have also increased the cost of the old contract had the old contract been continued. For instance as cited above, the labor settlement increased escort costs by approximately $2.8 million a year. It is realistic to assume that similar labor demands might have been imposed at some point in time under an extension of the old contract.

Due to higher inflation rates it is reasonable to assume the old contract would have increased at higher rates than 10.24% for regular and 11.46% for handicapped. If it is assumed that the FY 79 cost per vehicle would have increased at a compounded annual percentage of 13% the new regular contract (unadjusted for potential increases) would save $11,405 per vehicle over the next four years. If an average of 810 buses are required each year, the total dollar savings over four years would amount to $9.2 million or $2.3 million a year. The new handicapped contract (unadjusted for potential increases) would save $4,381 per vehicle over the next three years. If 2,000 vehicles are required each year, the total dollar savings over three years would amount to $8.8 million or $2.9 million a year.

It must be noted that this leaves a relatively small margin--2.6% compounded annually for regular, and 1.54% compounded annually for handicapped--to provide for increases in the new contracts attributable to escort wage pass alongs, defaulted contractors and other factors cited above. While it is impossible to estimate the precise value of such factors, it is our opinion that such increases will probably eliminate the relatively small savings that might have otherwise accrued, assuming that the old contract would have increased at 13% a year.

D. Cost Control

The magnitude of the transportation deficit demands the immediate implementation of strong cost control measures. While an analysis of the utilization rate of contract vehicles for the handicapped, shows relatively few empty seats; it has long been known that many of these seats are actually being filled by "phantom riders," or children who for a variety of reasons are not on the buses. In order to ameliorate this situation so as to make room for children who require service, a number of steps are being taken.

As a first step, we have implemented a temporary pause in the assignment of new buses for handicapped children. During this "pause" the Bureau of Pupil Transportation is requiring all bus contractors to provide them with a certification on each child in order to determine who is actually riding the buses. The Division of Special Education, will then be asked to authorize, where appropriate, the removal from transportation routes of those children not actually using the service.

In addition, the Bureau of Pupil Transportation's list of children assigned to handicapped bus routes is being compared to class lists containing the address status and mode of transportation to school for each child. In any instance, where a child is currently being routed by BPT on a contract bus but is reported by the teacher as not attending or arriving at school, the Division of Special Education is reviewing its order for busing and will when appropriate, authorize the removal of the child from contract busing.

BPT is also spot auditing the responses of bus companies and teachers in order to determine the validity of the information which has been presented to us. In an effort to enhance the timeliness and accuracy of its results, BPT has proposed that the data bases of BPT and the Division of Special Education be combined into one system so that information on all students can be accessed as needed at any time. A formal proposal is currently being developed for such a system, which would track a child from the time he or she is referred to the Committees on the Handicapped. It is expected that economies and efficiences in operations and in data processing would result from such a system.

Tightening controls on existing transportation services may not provide sufficient savings to close the budget gap for this year and for the coming year. Consequently, recommendations should be considered to reduce the level of services currently being provided, and to increase student generated revenues. If the Board of Education adopts recommendations for a reduction of service this could affect students (K-8) who live less than one and one-half miles from school and who are transported to school via public carriers. Such student transportation is currently funded by the Board and is non-aidable by the State.

Consideration must also be given to the provision of bus transportation to students who live less than one and one-half miles from school and who are transported by contract carriers. Such transportation is currently funded by the Board and is non-aidable by the State.

IV. QUALITY OF SERVICE

In addition to cost control, emphasis is being placed on the quality of service. To this end BPT is:

- Sending inspectors to all Companies in order to ensure that they are complying with the Board's Safety Criteria.

- Verifying all personnel records to insure that all drivers and escorts have been properly fingerprinted and have complied with all other criteria contained in the contract.

In order to further improve quality of service BPT intends to make full use of the Liquidated Damage Provisions in the Contract which permit BPT to withhold funds from Contractors who are not in compliance with the Contract. Even more significantly BPT will use the standards of performance criteria contained in the new contract to disqualify contractors who are not able to operate a transportation system in conformance with Board of Education Standards.

These legal requirements contained in the School Bus Transportation Contracts, mandate that the Board contract only with "responsible" bidders. Based on advice of Legal Counsel. BPT has defined the term "responsible" to mean: contractors with a sound financial standing; and a clear capability to run a transportation program in conformance with Board of Education Regulations. In addition, the Bureau of Pupil Transportation has worked in coordination with the NYC Department of Investigations to scrutinize the records of the principals of each company for possible criminal convictions. If such a finding is made the following criteria are applied in considering disqualification of the contractor:

- A successful bidder, any of whose principals were convicted of a crime within the past ten years will be disqualified from being awarded a contract for the transportation of pupils. Exceptions may be made in regard to convictions more than five years old if the nature of the conviction was such that it does not pose a potential hazard to the health and safety of school children.

- Any successful bidder, any of whose principals were convicted of a crime involving an act of violence within the past twenty years will be disqualified from being awarded a contract for the transportation of pupils.

- Any successful bidder, any of whose principals were found to have participated in fraudulent activities within the past twenty years involving a direct relationship or closely analogous relationship to the type of fraud that might be committed by a contractor providing service to the Board, will be disqualified from being awarded a contract for the transportation of pupils.

One of the major problems at BPT is the quality of the data. Although some improvements have been made in the last year, basic data, such as the number of pupils riding, remains somewhat unreliable. For instance, data for the BPT 200--a report that estimates the number of regular pupils that will be riding in the subsequent year--is generated by principals, with little or no independent verification. Since schools are not charged for transportation needs, there are clear incentives to overstate needs.

In the next year, we plan to recommend to the Board that we significantly up-grade the quality and the sophistication of data required for efficient management at BPT. No cost and service efficiencies can be achieved without major efforts to create sophisticated management, analysis and data processing capabilities in BPT.

Notwithstanding the budget reduction plans for the Board of Education and particularly for the program operations at the Bureau of Pupil Transportation, the cost savings, operations and management efforts at BPT will require additional staff. The present staff of 55 cannot carry out the task of directing and administering a system affecting 500,000 children a day, 2,700 contract vehicles and 135 contractors.

In order to effectively implement Pupil Transportation service changes to the outside user it is necessary to make some changes from within the system as well. There is a need for the recruitment of an individual to direct the Bureau who will be able to provide the strong management and systems skills needed to make the system run effectively. That Director, in turn, will require the ability to recruit a staff of professionals to appropriately administer the Bureau.

Ms. Ellen Zimmerman, who performed admirably during the most trying of times will remain in her capacity of Deputy Director. In the absence of a director Ms. Zimmerman agreed last August to run the Bureau on a temporary basis. It was largely through her efforts that the Bureau was able to implement the procedures and policies required to enforce the provisions of the Pupil Transportation Contracts between the Board and the bus contractors.

APPENDIX A

HANDICAPPED SERVICE BY TYPE OF VEHICLE

	# of Vehicles	$ Amount	Any Cost Per Vehicle	Vehicle Capacity
Standard Bus	843	$36,374,336	$43,149	40
Mini-Bus	782	27,237,799	34,831	14
Hydraulic Lift Bus	143	6,385,030	44,651	16
Ramp Wagon	72	2,450,548	34,035	8

APPENDIX B

RECENT CONTRACT COSTS IN CHRONOLOGICAL SEQUENCE

Planned and Bid as of August 15, 1979

	Vehicles	Unit Cost*	Total
Handicapped	1672	$50,598	$ 84,599,856
Normal and Open Enrollment	726	$42,257	$ 30,678,582
		Total	$115,278,438

Actual Contracted Vehicles as of October 15, 1979

	Vehicles	Increase Over 8/15 Number	Unit Cost*	Incremental Additional Cost	Total Cost
Handicapped	1842	170	$50,598	$ 8,601,660	$ 93,201,516
Normal and Open Enrollment	785	59	$42,257	$ 2,493,163	$ 33,171,145
			Totals	$11,094,823	$126,373,261

*Unit cost - actual unit cost as of September 26th date of execution of interim escort contract.